

Setting an Organization's Direction and Performing the Entrepreneurial Function — A Checklist for Action

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Three components give direction to an organization or business:

1. Defining its purpose and mission
2. Establishing objectives
3. Formulating a strategy

Step 1: Defining purpose and mission

A clear purpose and mission are important because both offer concrete guidance for management. The logical starting point in formulating your strategy is to develop a clear concept of "What is our business?," "What will our business be?," and "What should our business be?"

1. "What is our business?" is defined by:
 - "Customer groups, or who is being satisfied.
 - Customer needs, or what is being satisfied.
 - Technologies, or how customer's needs are satisfied."¹
2. "What will our business be?"

This question forces the organization to look ahead to try to anticipate the impact of changing customer needs, changing technology, changing customer uses, and changing customer requirements on the organization's business.

- "What are the customer's unsatisfied wants?"
- What customer groups will we be serving in the future?
- What customer needs will we meet?"²

3. What should our business be?"
 - a. "How can new product ideas and new technological potentials be converted into new businesses?"
 - b. Are there any attractive prospects for serving new customer functions and different customer groups?"
 - c. Should diversification be pursued and, if so, What kind and how much diversification makes sense?"³

A clear answer to these questions helps managers avoid the trap of trying to march in too many directions at once and the related trap of being so confused that one does not know when or where to march at all.

Step 2: Establishing strategic objectives

Strategic objectives define the specific long term position the organization seeks to occupy and the specific goals that management seeks to achieve in pursuing the organization's purpose and mission — agreeing upon what is to be accomplished through the organization's activity. Strategic objectives energize the organization, head it down the chosen path, and create a results-oriented organizational climate.

Strategic objectives should relate

- externally to the overall image, standing reputation and position of the organization in its total environment, and
- internally to the desired organizational performance and results.

Organizational objectives are needed in such areas as revenue growth, profitability cash flows, financial strength, leadership, market reputation, competitive ability, and operating efficiency.

Stating objectives: how to tell a "Good" one from a "Bad" one

For objectives to be considered "good," they need to fulfill the following specifications:

- An objective should relate to a single specific topic.
- An objective should relate to a result, not to an activity to be performed.
- An objective should be measurable — stated in quantitative terms whenever feasible.
- An objective should contain a time deadline for its achievement.
- An objective should be challenging but achievable.

Step 3: Formulating strategy

The organization's strategy is the game plan that indicates how chosen objectives will be pursued and what plans and approaches management will adopt to get the organization into the best marketing position. Strategy is viewed as a statement of how resources are going to be used to take advantage of the opportunities that will produce a desired result.

Therefore, a strategy is a tool to manage with and be managed by. A question that organizations seek to answer is, "How are we going to strengthen our position?"

Combined together, these steps equal an organization's strategic plan — which is a detailed road map of the direction and course that the organization presently intends to follow in conducting its activities.

¹Derek F. Abell, "Defining the Business: The Starting Point of Strategic Planning" (Englewood Cliffs, NJ: Prentice-Hall, 1980), p. 169.

²*Ibid.*, pp 88-89.

³*Ibid.*, p. 82.

Reference

Thompson, Arthur A. Jr. and Strickland, A.J., *Strategic Management Concepts & Cases*, Business Publications, Inc., Plano, TX, p. 25.

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